

VILLAGE OF BUCKLEY  
BUCKLEY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 2007

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Buckley	County Wexford
Fiscal Year End February 28, 2007	Opinion Date August 12, 2007	Date Audit Report Submitted to State August 20, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

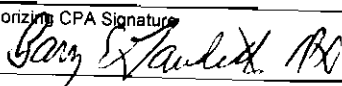
YES ☒ NO ☐

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Report on Compliance and Internal Controls	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	Zip 49686
		License Number 11050	

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## INTRODUCTORY SECTION

Village of Buckley  
List of Elected Officials and Village Officers  
February 28, 2007

Dennis Kuhn	President
Larry Cade	Vice President /Trustee
Dennis Kuhn II	Clerk
Jacqueline Cade	Treasurer
Lex Armour	Trustee
Verneta Hartzell	Trustee
Wayne Kellogg	Trustee
Mary Jo Lance	Trustee
Gary Griffin	Trustee

## FINANCIAL SECTION

### INDEPENDENT AUDITORS' REPORT

Members of the Village Council  
Village of Buckley  
Buckley, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Buckley, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Buckley, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Buckley, Michigan, as of February 28, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Village of Buckley  
Independent Auditors' Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated August 12, 2007, on my consideration of the Village of Buckley, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

*Sam E. Sandell, CPA*

August 12, 2007



## **BASIC FINANCIAL STATEMENTS**

Village of Buckley  
Statement of Net Assets  
February 28, 2007

	Governmental Activities	Business -Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 120,888	\$ 16,052	\$ 136,940
Receivables, net	80,248	3,599	83,847
Prepaid expenses		7,434	7,434
Restricted cash	19,266	19,588	38,854
Capital assets (net of accumulated depreciation):			
Land and improvements	190,732	800	191,532
Buildings & improvements	331,797		331,797
Machinery and equipment	49,202		49,202
Fire trucks and equipment	63,434		63,434
Water system			
	<u>                    </u>	<u>300,521</u>	<u>300,521</u>
Total assets	<u>855,567</u>	<u>347,994</u>	<u>1,203,561</u>
<b>LIABILITIES</b>			
Accounts payable	8,891	834	9,725
Accrued interest		2,049	2,049
Noncurrent liabilities:			
Due within one year	5,000	6,000	11,000
Due in more than one year	<u>175,000</u>	<u>80,281</u>	<u>255,281</u>
Total liabilities	<u>188,891</u>	<u>89,164</u>	<u>278,055</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	455,165	215,040	670,205
Restricted for:			
Fire equipment	19,266		19,266
Debt service		19,588	19,588
Unrestricted	<u>192,245</u>	<u>24,202</u>	<u>216,447</u>
Total net assets	<u>\$ 666,676</u>	<u>\$ 258,830</u>	<u>\$ 925,506</u>

See notes to financial statements

Village of Buckley  
Statement of Activities  
For the Year Ended February 28, 2007

Functions /Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 16,769	\$	\$	\$
Government	26,395			
Public safety	69,708		20,819	
Public works	175,349	13,710		
Health & welfare	10,984	24,050		20,000
Community/ economic development	2,800			
Recreation & culture	1,127			
Other	8,344			
Interest expense	9,200			
Total governmental activities	320,676	37,760	20,819	20,000
Business-type activities:				
Water	80,908	55,274		
Total	<u>\$ 401,584</u>	<u>\$ 93,034</u>	<u>\$ 20,819</u>	<u>\$ 20,000</u>

General revenues:  
Property taxes & administrative fees  
Licenses & fees  
State aid  
Interest earnings  
Rentals

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net(Expense) Revenue and  
Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ ( 16,769)	\$	\$ ( 16,769)
( 26,395)		( 26,395)
( 48,889)		( 48,889)
( 141,639)		( 141,639)
13,066		13,066
( 2,800)		( 2,800)
( 1,127)		( 1,127)
( 8,344)		( 8,344)
<u>( 9,200)</u>	<u>          </u>	<u>( 9,200)</u>
( 242,097)		( 242,097)
<u>          </u>	<u>( 25,634)</u>	<u>( 25,634)</u>
<u>( 242,097)</u>	<u>( 25,634)</u>	<u>( 267,731)</u>
124,078		124,078
1,874		1,874
108,897		108,897
3,229	409	3,638
<u>          </u>	<u>31,600</u>	<u>31,600</u>
<u>238,078</u>	<u>32,009</u>	<u>270,087</u>
( 4,019)	6,375	2,356
<u>659,194</u>	<u>263,955</u>	<u>923,149</u>
<u>\$ 655,175</u>	<u>\$ 270,330</u>	<u>\$ 925,505</u>

Village of Buckley  
Balance Sheet  
Governmental Funds  
February 28, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 80,292	\$ 20,744	\$ 19,852	\$ 120,888
Cash-reserved	19,266			19,266
Taxes receivable	27,363			27,363
Due from state	14,741	8,256	4,277	27,274
Accounts receivable	5,611			5,611
Assessments receivable	20,000			20,000
Due from other funds		7,500		7,500
Total assets	<u>\$ 167,273</u>	<u>\$ 36,500</u>	<u>\$ 24,129</u>	<u>\$ 227,902</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 8,891	\$	\$	\$ 8,891
Due to other funds	<u>11,500</u>		<u>7,500</u>	<u>19,000</u>
Total liabilities	<u>20,391</u>		<u>7,500</u>	<u>27,891</u>
Fund balances:				
Reserved	19,266			19,266
Unreserved, reported in:				
General fund	127,616			127,616
Major street fund		36,500		36,500
Local street fund			<u>16,629</u>	<u>16,629</u>
Total fund balances	<u>146,882</u>	<u>36,500</u>	<u>16,629</u>	<u>200,011</u>
Total liabilities and fund balances	<u>\$ 167,273</u>	<u>\$ 36,500</u>	<u>\$ 24,129</u>	<u>\$ 227,902</u>

See notes to financial statements

Village of Buckley  
Reconciliation of the Governmental Funds  
Balance Sheet  
with the Statement of Net Assets  
February 28, 2007

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 200,011
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Capital assets used in governmental  
activities are not financial resources  
and therefore are not reported as assets  
in governmental funds:

Cost of capital assets	995,760
Accumulated depreciation	( 360,595)

Interfund receivables and payables are  
included in governmental funds and  
Enterprise Funds, but eliminated in the  
Statement of Net Assets:

Governmental Funds:	
Due from other funds	( 7,500)
Due to other funds	19,000

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>( 180,000)</u>
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Total Net Assets - Governmental Activities	<u>\$ 666,676</u>
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See notes to financial statements

**Village of Buckley**  
**Statement of Revenues, Expenditures, and Changes**  
**In Fund Balance**  
**Governmental Funds**  
**For the Year Ended February 28, 2007**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes & adm. fees	\$ 124,078	\$	\$	\$ 124,078
Licenses & fees	1,874			1,874
Intergovernmental revenue from state:				
State revenue sharing	47,487			47,487
Streets & highways		42,520	18,890	61,410
Contributions from local units	20,819			20,819
Interest earnings	2,617	416	196	3,229
Equipment rents	13,710			13,710
Ambulance services	24,050			24,050
Reimbursements	20,000			20,000
Total revenues	<u>254,635</u>	<u>42,936</u>	<u>19,086</u>	<u>316,657</u>
<b>EXPENDITURES</b>				
Current:				
Legislative	16,769			16,769
General government	26,395			26,395
Public safety	60,663			60,663
Public works	55,320	42,985	53,456	151,761
Health & welfare	10,984			10,984
Community/economic development	2,800			2,800
Recreation & culture	1,127			1,127
Other:				
Fringe benefits/ retirement	8,344			8,344
Debt payments:				
Principal	5,000			5,000
Interest	9,200			9,200
Capital outlays	<u>16,956</u>			<u>16,956</u>
Total expenditures	<u>213,558</u>	<u>42,985</u>	<u>53,456</u>	<u>309,999</u>
Excess(deficiency) of revenues over(under) expenditures	41,077	( 49)	(34,370)	6,658
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers in(out)	<u>( 35,000)</u>	<u>( 7,500)</u>	<u>42,500</u>	
Net changes in fund balances	6,077	( 7,549)	8,130	6,658

Village of Buckley  
 General Fund  
 Statement of Revenues, Expenditures, and Changes  
 In Fund Balance  
 Governmental Funds  
 For the Year Ended February 28, 2007  
 (Continued)

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
Fund balances - beginning	<u>140,805</u>	<u>44,049</u>	<u>8,499</u>	<u>193,353</u>
Fund balances - ending	<u>\$ 146,882</u>	<u>\$ 36,500</u>	<u>\$ 16,629</u>	<u>\$ 200,011</u>

See notes to financial statements



Village of Buckley  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
to the Statement of Activities  
For the Year Ended February 28, 2007

Amounts reported for governmental activities in the  
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$ 6,658
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Governmental funds report capital outlays  
as expenditures. However, in the statement  
of activities the cost of those assets is  
allocated over their estimated useful lives  
and reported as depreciation expense. This  
is the amount by which capital outlays  
exceeded depreciation in the current period.

Capital outlays	16,956
Depreciation	( 32,633)

The issuance of long-term debt provides  
current financial resources to governmental  
funds, while the repayment of the principal  
of long-term debt consumes the current  
financial resources of governmental funds.  
Neither transaction, however, has any effect  
on net assets. This amount is the net effect  
of these differences in the treatment of long-  
term debt and related items.

5,000

Change in net assets of governmental activities	\$( <u>4,019</u> )
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See notes to financial statements

Village of Buckley  
Statement of Net Assets  
Proprietary Funds  
February 28, 2007

	Business-type Activities -Enterprise Funds	
	Water Fund	
	Prior Year	Current Year
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 32,609	\$ 16,052
Receivables, net	7,354	3,599
Prepaid insurance	3,888	7,434
Due from other funds		11,500
Total current assets	<u>43,851</u>	<u>38,585</u>
Noncurrent assets:		
Restricted cash and cash equivalents	9,589	19,588
Capital assets:		
Land	800	800
Buildings & improvements	83,440	83,440
Vehicles & equipment	26,396	5,371
Water distribution system	674,834	697,539
Meters	28,873	28,873
Less accumulated depreciation	( 487,432)	( 514,702)
Total noncurrent assets	<u>336,500</u>	<u>320,909</u>
Total assets	<u>380,351</u>	<u>359,494</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	21,923	834
Accrued interest	2,192	2,049
Current portion of revenue bonds	<u>6,000</u>	<u>6,000</u>
Total current liabilities	30,115	8,883
Noncurrent liabilities:		
Bonds payable	<u>86,281</u>	<u>80,281</u>
Total liabilities	<u>116,396</u>	<u>89,164</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	326,911	215,040
Restricted for debt service	9,589	19,588
Unrestricted	( 72,545)	35,702
Total net assets	<u>\$ 263,955</u>	<u>\$ 270,330</u>

See notes to financial statements

Village of Buckley  
Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended February 28, 2007

	Business-type Activities -Enterprise Funds	
	Water Year	
	Prior Year	Current Year
Operating revenues:		
Charges for services	\$ 54,908	\$ 55,274
Rents	31,600	31,600
Total operating revenues	<u>86,508</u>	<u>86,874</u>
Operating expenses:		
Depreciation	27,861	28,321
Wages	18,363	18,662
Repairs, maintenance & supplies	7,319	10,442
Equipment rental expense	5,760	
Insurance	7,969	12,081
Utilities	4,906	5,198
Total operating expenses	<u>72,178</u>	<u>74,704</u>
Operating income(loss)	<u>14,330</u>	<u>12,170</u>
Nonoperating revenue(expenses):		
Investment earnings	326	409
Interest expense	( 6,884)	( 6,204)
Total nonoperating revenue(expenses)	<u>( 6,558)</u>	<u>( 5,795)</u>
Change in net assets	7,772	6,375
Total net assets-beginning	<u>256,183</u>	<u>263,955</u>
Total net assets-ending	<u>\$ 263,955</u>	<u>\$ 270,330</u>

See notes to financial statements

Village of Buckley  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended February 28, 2007

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Water Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 80,912	\$ 90,629
Payments to suppliers	( 4,457)	( 52,356)
Payments to employees	<u>( 18,363)</u>	<u>( 18,662)</u>
Net cash provided by operating activities	<u>58,092</u>	<u>19,611</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Due from other funds	<u>11,500</u>	<u>( 11,500)</u>
Net cash provided (used) by noncapital financing activities	<u>11,500</u>	<u>( 11,500)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of meters & connections	( 6,408)	( 2,731)
Purchase of equipment	( 21,025)	
Interest expense	( 7,145)	( 6,347)
Payment of principal on long-term debt	<u>( 11,000)</u>	<u>( 6,000)</u>
Net cash (used) by capital and related financing activities	<u>( 45,578)</u>	<u>( 15,078)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Restricted cash	1,511	( 9,999)
Interest received	<u>326</u>	<u>409</u>
Net cash provided (used) by investing activities	<u>1,837</u>	<u>( 9,590)</u>

Village of Buckley  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended February 28, 2007  
(Continued)

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Water Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Net increase (decrease) in cash and cash equivalents	25,851	( 16,557)
Cash and cash equivalents, beginning	<u>6,758</u>	<u>32,609</u>
Cash and cash equivalents, ending	<u>\$ 32,609</u>	<u>\$ 16,052</u>

Village of Buckley  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended February 28, 2007  
(Continued)

	<u>Business-type Activities</u> <u>- Enterprise Funds</u>	
	<u>Water Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income(loss)	\$ 14,330	\$ 12,170
Adjustments to reconcile operating income to net cash provided(used) by operating activities:		
Depreciation expense	27,861	28,321
(Increase) decrease in accounts receivable	( 5,594)	3,755
prepaid insurance	( 429)	( 3,546)
(Decrease) increase in accounts payable	21,924	( 21,089)
Total adjustments	43,762	7,441
Net cash provided (used) by operating activities	\$ 58,092	\$ 19,611

See notes to financial statements

**Village of Buckley**  
**Notes to the Financial Statements**  
**February 28, 2007**

**I. Summary of significant accounting policies**

The financial statements of the Village of Buckley (the Village) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

**A. Reporting entity**

The Village is governed by an elected five-member board. The accompanying financial statements present the Village's operations for which the government is considered to be financially accountable. The Village has no component units and is not responsible for any jointly governed organizations.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Village does not have any fiduciary funds.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 31st. Real property taxes not collected as of October 15th are turned over to Wexford County, which advances the Village 100% for the delinquent taxes.

The 2006 real property taxable valuation of the Village totaled \$12,710,746, on which ad valorem taxes levied consisted of 9.2070 mills for Village operating purposes. This amount is recognized in the General Fund as current tax revenue. A 1% administration fee was charged this year and totalled \$1,168.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.



The *special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. These funds include the Major and Local Street Funds.

The Village reports the following major proprietary funds:

The *water fund* accounts for activities of the business-type - Enterprise Fund of the Village. The intent of the Village's Board is that the costs of providing water service to the general public on a continuing basis be financed or recovered primarily through user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of equipment charges to the general fund, and other charges between the government's water functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on October 15th of the following year, at which time penalties and interest are assessed.

It is the Village's policy to place delinquent water bills on the tax rolls on an annual basis.

### **3. Inventories and prepaid items**

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. Restricted assets**

Certain proceeds of the Village's water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Village has two accounts at Honor State Bank in a certificate of deposit valued at \$8,376 and a checking account (NOW account) with a balance of \$11,212 as of February 28, 2007. These monies are reserved in the Water Fund for payment of future debt payments.

The General Fund has a certificate of deposit of \$9,672 and a savings account of \$9,594 reserved for the purchase of a fire truck in the future.

### **5. Capital assets**

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the Village is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Equipment	10
Water system	25
Park & recreation improvements	20
Fire hall & improvements	40
Fire vehicles	20
DPW vehicles & equipment	10

#### **6. *Compensated absences***

The Village does not account for employee accrued sick and vacation pay. The Village's policy is to reimburse its employees for any sick and/or vacation pay unused at year-end. The Village currently has one employee that is eligible to receive 60 hours of vacation leave per year.

#### **7. *Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

#### **8. *Fund equity***

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **9. *Comparative data/reclassifications***

Comparative total data for the prior year have been presented for the individual enterprise fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## II. Stewardship, compliance, and accountability

### A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The President submits to the Village Council a proposed budget for the fiscal year commencing on March 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 28, the budget is legally adopted by the Village Council as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The President is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general, major street and local street funds.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 1st.

## **B. Excess of expenditures over appropriations**

For the year ended February 28, 2007, expenditures exceeded appropriations in the following activities:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Public works:			
DPW	\$ 39,950	\$ 45,207	\$ ( 5,257)
Health & welfare:			
Ambulance/rescue salaries/supplies	7,500	10,984	( 3,484)
Recreation & culture:			
Parks & recreation:			
Supplies	1,000	1,127	( 127)
Capital outlay	8,500	16,956	( 8,456)

These overexpenditures were funded by the available fund balance in the general fund.

## **III. Detailed notes on all funds**

### **A. Deposits and investments**

#### **Deposits**

The Village's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed by the Village based upon how its deposits were insured or secured with collateral at February 28, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Village (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Village's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	<u>Custody Credit Risk</u>			Total Carrying Value
		<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	
Demand deposits	\$150,104	\$150,104	\$	\$	\$148,151
Savings	9,594	9,594			9,594
Certificate of deposits	<u>18,048</u>	<u>18,048</u>			<u>18,048</u>
	<u>\$177,746</u>	<u>\$177,746</u>	<u>\$</u>	<u>\$</u>	<u>\$175,793</u>

### Investments

The Village did not have any investments as of February 28, 2007.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	\$ 175,793
Investments	<u>-</u>
Total	<u>\$ 175,793</u>
Cash and cash equivalents:	
General, major and local street funds	\$ 141,324
Water fund	36,465
Checks written in excess of deposits	<u>( 1,996)</u>
Total	<u>\$ 175,793</u>

### **B. Receivables**

Receivables as of year end for the government's individual major funds consist of \$14,741, \$8,256 and \$4,277, respectively in the general fund, major street and local street funds. These receivables represent monies owed from the State of Michigan for state revenue sharing, and Act 51 monies, and local road plan costs. The receivables in the enterprise funds consist of accounts receivable from customers of \$3,599.

### C. Capital assets

Capital asset activity for the year ended February 28, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land & improvements	\$ 190,732	\$ _____	\$ _____	\$ 190,732
Total capital assets, not being depreciated	<u>190,732</u>	<u>_____</u>	<u>_____</u>	<u>190,732</u>
Capital assets, being depreciated:				
Buildings & improvements	486,782			486,782
Parks & recreation	26,600			26,600
Fire trucks	171,339			171,339
DPW machinery & equipment	99,416	16,956		116,372
Fire equipment	<u>3,935</u>	<u>_____</u>	<u>_____</u>	<u>3,935</u>
Total capital assets being depreciated	<u>788,072</u>	<u>16,956</u>	<u>_____</u>	<u>805,028</u>
Less accumulated depreciation for:				
Buildings & improvements	(141,340)	( 13,645)		(154,985)
Parks & recreation	( 26,600)			( 26,600)
Fire trucks	(102,094)	( 8,567)		(110,661)
DPW machinery & equipment	( 57,227)	( 9,943)		( 67,170)
Fire equipment	<u>( 701)</u>	<u>( 478)</u>	<u>_____</u>	<u>( 1,179)</u>
Total accumulated depreciation	<u>(327,962)</u>	<u>( 32,633)</u>	<u>_____</u>	<u>(360,595)</u>
Total capital assets, being depreciated, net	<u>460,110</u>	<u>( 15,677)</u>	<u>_____</u>	<u>444,433</u>
Governmental activities capital assets, net	<u>\$ 650,842</u>	<u>\$ ( 15,677)</u>	<u>\$ _____</u>	<u>\$ 635,165</u>



	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities (Enterprise Funds)</b>				
Capital assets, not being depreciated:				
Land	\$ 800	\$	\$	\$ 800
Capital assets, being depreciated:				
Buildings & improvements	83,440			83,440
Vehicles & equipment	26,396		( 21,025)	5,371
Water distribution system	674,834	22,705		697,539
Meters	<u>28,873</u>			<u>28,873</u>
Total capital assets, being depreciated	<u>813,543</u>	<u>22,705</u>	<u>( 21,025)</u>	<u>815,223</u>
Less accumulated depreciation for:				
Buildings & improvements	( 83,440)			( 83,440)
Vehicles & equipment	( 6,422)		1,051	( 5,371)
Water distribution system	(370,989)	( 28,092)		(399,081)
Meters	<u>( 26,581)</u>	<u>( 229)</u>		<u>( 26,810)</u>
Total accumulated depreciation	<u>(487,432)</u>	<u>( 28,321)</u>	<u>1,051</u>	<u>(514,702)</u>
Total capital assets, being depreciated, net	<u>326,111</u>	<u>( 5,616)</u>	<u>( 19,974)</u>	<u>300,521</u>
Business-type activities capital assets, net	<u>\$ 326,911</u>	<u>\$ ( 5,616)</u>	<u>\$ ( 19,974)</u>	<u>\$ 301,321</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Public works	\$ 23,588
Public safety	<u>9,045</u>
Total depreciation expense- governmental activities	<u>\$ 32,633</u>
Business-type activities:	
Water	<u>\$ 28,321</u>

#### D. Interfund receivables, payables, and transfers

Interfund transfers:

Transfer out:	Transfer In:		
	Major Street Fund	Local Street Fund	Total
Major Street Fund	\$	\$ 7,500	\$ 7,500
General Fund		35,000	35,000
Total transfers in	\$	\$ 42,500	\$ 42,500

The composition of interfund balances as of February 28, 2007, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major street	Local street	\$ 7,500
Water	General	11,500
Total		<u>\$ 19,000</u>

#### E. Long-term debt

##### Revenue bonds

The Village issued bonds on May 1, 1983 to be paid from the revenues of the water system. The bonds were issued for the water supply system, a business-type activity. The original amount of the bond was \$175,000. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	7.125%	<u>\$ 86,281</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 6,000	\$ 6,148
2009	6,000	5,720
2010	6,000	5,293
2011	6,000	4,865
2012	6,000	4,438
2013-2017	34,000	15,283
2018-2021	<u>22,281</u>	<u>3,270</u>
Total	<u>\$ 86,281</u>	<u>\$ 45,017</u>

Changes in long-term liabilities

Long-term liability activity for the year ended February 28, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>				
Bonds payable:				
Revenue bonds	\$ <u>92,281</u>	\$ ( <u>6,000</u> )	\$ <u>86,281</u>	\$ <u>6,000</u>

General Obligation Bonds

The Village issued bonds on December 12, 2002 to be paid from the limited tax, full faith, credit and resources of the Village. The bonds were issued for pay for the cost of constructing and equipping a new fire hall, from the general funds of the Village. The original amount of the bond was \$200,000. General obligation bonds outstanding at year are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental funds	5.0934947%	\$ <u>185,000</u>

General obligation debt service requirements to maturity are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 5,000	\$ 8,912
2009	5,000	8,637
2010	5,000	8,362
2011	10,000	8,100
2012	10,000	7,575
2013-2017	50,000	30,850
2018-2022	75,000	16,650
2023	<u>20,000</u>	<u>1,050</u>
Total	\$ <u>180,000</u>	\$ <u>90,136</u>

### Changes in long-term liabilities

Long-term liability activity for the year ended February 28, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>				
Bonds payable:				
General obligation bonds	<u>\$ 185,000</u>	<u>\$ 5,000</u>	<u>\$ 180,000</u>	<u>\$ 5,000</u>

### **F. Segment information**

The Village issued revenue bonds on May 1, 1983 to help finance improvements to the Water Supply System consisting of water mains, wells, pumps, a 100,000 gallon elevated tank, water meters, together with all necessary attachments and appurtenances. Summary financial information for the water department is presented below.

### **CONDENSED STATEMENT OF NET ASSETS**

<b>Assets:</b>	
Current assets	\$ 38,585
Restricted assets	19,588
Capital assets	<u>301,321</u>
Total assets	<u>359,494</u>
<b>Liabilities:</b>	
Current liabilities	8,883
Bonds payable-noncurrent	<u>80,281</u>
Total liabilities	<u>89,164</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	215,040
Restricted	19,588
Unrestricted	<u>35,702</u>
Total net assets	<u>\$ 270,330</u>

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

Water charges (pledged against bonds)	\$ 54,274
New service hookups	1,000
Rents	31,600
Depreciation expense	( 28,321)
Other operating expenses	( 46,383)
Operating income(loss)	12,170
Nonoperating revenues(expenses):	
Investment earnings	409
Interest expense	( 6,204)
Change in net assets	6,375
Beginning net assets	263,955
Ending net assets	<u>\$ 270,330</u>

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:	
Operating activities	\$ 19,611
Noncapital financing activities	( 11,500)
Capital and related financing activities	( 15,078)
Investing activities	( 9,590)
Net increase (decrease)	( 16,557)
Beginning cash and cash equivalents	32,609
Ending cash and cash equivalents	<u>\$ 16,052</u>

**G. Schedule of investment in capital assets**

Changes in the investment in capital assets in the enterprise fund type for the year ended February 28, 2007, consist of the following:

Balance - beginning	\$ 326,911
Deductions	( 111,871)
Balance - ending	<u>\$ 215,040</u>

**IV. Other information**

**A. Risk management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Village was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Village joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Village pays an annual premium to the pool for its general insurance coverage. The Village has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Village is unable to provide an estimate of the amounts of additional assessments.

#### **B. Pension plan**

The Village elected to cover its employees under a pension plan through Municipal Retirement Systems, Inc. The election was effective on July 1, 1991 and was in lieu of coverage under the social security system. The plan is known as a Money Purchase Pension plan and the Village is required to contribute 50% of the cost for each employee. The Village contributed \$4,172 during the fiscal year ended February 28, 2007.

Eligibility:	Minimum Age: 18 Maximum Age: 75 Years of Service: 0
Contribution Formula:	The Employer contributes 6.0% of the Employee's annual compensation; Employee contributes 6.0% of his/her annual compensation.
Optional Past Service:	The Employer contributes 3.0% of the Employee's current annual compensation for each eligible year of past service up to a maximum of 10 years.
Ownership of Funds:	Vesting (ownership) is 100% immediate. All funds deposited belong to the Employee in the event of death, disability, retirement or job severance.  Includes contributions for future and past service and funds transferred from another plan.
Retirement Benefit:	Life and Ten Year Certain Annuity. Guarantees you a monthly check for <u>as long as you live</u> ; and also in case of your death, continues payments to your beneficiary until a combined sum of 120 payments have been made to you and your beneficiary. Other options are available.
Funding Vehicle:	Flexible Premium Annuity.

Insurance Company: USG Annuity and Life Company, a subsidiary of The Equitable Life of Iowa.

Interest Rate: Current rate plus 'bonus' interest equals 8.1%.

Normal Retirement Date: At age 65, or if age 61 or older at entry, at the completion of five years of plan participation.

Plan Expenses:

Participant Fees	- None
Sales Charges	- None
Asset Charges	- None
Administration Fee	- \$100 annually

## **Required Supplementary Information**



Village of Buckley  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes and related fees	\$120,000	\$ 120,000	\$124,078	\$ 4,078
Licenses and fees	2,550	2,550	1,874	( 676)
Intergovernmental revenue from state:				
State revenue sharing	50,000	50,000	47,487	( 2,513)
Contributions from local units	25,000	25,000	20,819	( 4,181)
Interest earnings	2,500	2,500	2,617	117
Equipment rents	15,000	15,000	13,710	( 1,290)
Ambulance services	15,000	15,000	24,050	9,050
Reimbursements			20,000	20,000
Total revenues	<u>230,050</u>	<u>230,050</u>	<u>254,635</u>	<u>24,585</u>
<b>EXPENDITURES</b>				
Current:				
Legislative:				
Village council				
Salaries	6,000	6,000	5,210	790
Master plan	<u>15,000</u>	<u>15,000</u>	<u>11,559</u>	<u>3,441</u>
Total village council	<u>21,000</u>	<u>21,000</u>	<u>16,769</u>	<u>4,231</u>
General government:				
President	3,000	3,000	1,938	1,062
General administrative	10,250	10,250	5,847	4,403
Clerk	12,225	12,225	11,008	1,217
Treasurer	<u>11,000</u>	<u>11,000</u>	<u>7,602</u>	<u>3,398</u>
Total general government	<u>36,475</u>	<u>36,475</u>	<u>26,395</u>	<u>10,080</u>

Village of Buckley  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended February 28, 2007  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>EXPENDITURES (CONTINUED) :</b>				
Current:				
Public safety:				
Fire:				
Fire chief salary	2,500	2,500	2,475	25
Volunteer auxiliary contract	2,500	2,500	2,475	25
Fire supplies	10,000	10,000	7,513	2,487
Gas & oil	3,000	3,000	1,353	1,647
Utilities	10,000	10,000	7,898	2,102
Insurance	10,000	10,000	7,382	2,618
Equipment rentals-hydrants	25,000	25,000	25,000	
Education & training	<u>5,000</u>	<u>5,000</u>	<u>6,567</u>	<u>( 1,567)</u>
Total public safety	<u>68,000</u>	<u>68,000</u>	<u>60,663</u>	<u>7,337</u>
Public works:				
DPW:				
Salaries	16,000	16,000	12,762	3,238
Supplies	17,000	5,000	15,462	( 10,462)
Gas and oil	4,500	3,500	4,138	( 638)
Insurance	10,000	10,000	8,556	1,444
Utilities	5,000	5,000	4,289	711
Water usage	<u>450</u>	<u>450</u>	<u></u>	<u>450</u>
Total DPW	<u>52,950</u>	<u>39,950</u>	<u>45,207</u>	<u>( 5,257)</u>
Street lighting:				
Electricity	11,500	11,500	10,113	1,387
Christmas lights	<u>500</u>	<u>500</u>	<u></u>	<u>500</u>
Total street lighting	<u>12,000</u>	<u>12,000</u>	<u>10,113</u>	<u>1,887</u>
Total public works	<u>64,950</u>	<u>51,950</u>	<u>55,320</u>	<u>( 3,370)</u>

Village of Buckley  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended February 28, 2007  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>EXPENDITURES (CONTINUED) :</b>				
Current:				
Health & welfare:				
Ambulance/rescue salaries/supplies	<u>11,000</u>	<u>7,500</u>	<u>10,984</u>	<u>( 3,484)</u>
Community/economic development:				
Planning commission	<u>5,000</u>	<u>5,000</u>	<u>2,800</u>	<u>2,200</u>
Recreation & culture:				
Parks & recreation: Supplies	<u>1,000</u>	<u>1,000</u>	<u>1,127</u>	<u>( 127)</u>
Debt payments:				
Principal & interest	<u>15,000</u>	<u>15,000</u>	<u>14,200</u>	<u>800</u>
Capital outlay	<u>22,000</u>	<u>8,500</u>	<u>16,956</u>	<u>( 8,456)</u>
Other:				
Fringe benefits/retirement	<u>9,000</u>	<u>9,000</u>	<u>8,344</u>	<u>656</u>
Total expenditures	<u>253,425</u>	<u>223,425</u>	<u>213,558</u>	<u>9,867</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 23,375)</u>	<u>6,625</u>	<u>41,077</u>	<u>34,452</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>( 35,000)</u>	<u>( 35,000)</u>	<u>( 35,000)</u>	
Net change in fund balance	<u>( 58,375)</u>	<u>( 28,375)</u>	<u>6,077</u>	<u>34,452</u>
Fund balance-beginning	<u>124,132</u>	<u>124,132</u>	<u>140,805</u>	<u>16,673</u>
Fund balance-ending	<u>\$ 65,757</u>	<u>\$ 95,757</u>	<u>\$146,882</u>	<u>\$ 51,125</u>

See notes to financial statements

Village of Buckley  
Major Street Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenue from state:				
Streets and highways:				
Act 51 monies	\$ 42,000	\$ 52,000	\$ 42,520	\$ ( 9,480)
Interest earnings	<u>450</u>	<u>450</u>	<u>416</u>	<u>( 34)</u>
Total revenues	<u>42,450</u>	<u>52,450</u>	<u>42,936</u>	<u>( 9,514)</u>
<b>EXPENDITURES</b>				
Public works:				
Routine maintenance:				
Salaries	7,000	6,000	6,844	( 844)
Contract services	35,000	35,000	30,751	4,249
Equipment rentals	<u>9,000</u>	<u>9,000</u>	<u>5,390</u>	<u>3,610</u>
Total expenditures	<u>51,000</u>	<u>50,000</u>	<u>42,985</u>	<u>7,015</u>
Excess (deficiency) of revenues over (under) expenditures	( 8,550)	2,450	( 49)	( 2,499)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>( 7,500)</u>	<u>( 7,500)</u>	<u>( 7,500)</u>	
Net change in fund balance	( 16,050)	( 5,050)	( 7,549)	( 2,499)
Fund balance - beginning	<u>41,287</u>	<u>41,287</u>	<u>44,049</u>	<u>2,762</u>
Fund balance - ending	<u>\$ 25,237</u>	<u>\$ 36,237</u>	<u>\$ 36,500</u>	<u>\$ 263</u>

See notes to financial statements

Village of Buckley  
Local Street Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenue from state:				
Streets and highways:				
Act 51 monies	\$ 22,750	\$ 22,750	\$ 18,890	\$ ( 3,860)
Interest earnings	<u>100</u>	<u>100</u>	<u>196</u>	<u>96</u>
Total revenues	<u>22,850</u>	<u>22,850</u>	<u>19,086</u>	<u>( 3,764)</u>
<b>EXPENDITURES</b>				
Public works:				
Routine maintenance:				
Salaries	6,000	5,000	5,792	( 792)
Contract services	40,000	40,000	39,345	655
Equipment rentals	<u>9,000</u>	<u>9,000</u>	<u>8,319</u>	<u>681</u>
Total expenditures	<u>55,000</u>	<u>54,000</u>	<u>53,456</u>	<u>544</u>
Excess (deficiency) of revenues over (under) expenditures	( 32,150)	( 31,150)	(34,370)	( 3,220)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>42,500</u>	<u>42,500</u>	<u>42,500</u>	
Net change in fund balance	10,350	11,350	8,130	( 3,220)
Fund balance - beginning	<u>10,907</u>	<u>10,907</u>	<u>8,499</u>	<u>( 2,408)</u>
Fund balance - ending	<u>\$ 21,257</u>	<u>\$ 22,257</u>	<u>\$ 16,629</u>	<u>\$ ( 5,628)</u>

See notes to financial statements

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Members of the Village Council  
Village of Buckley  
Buckley, Michigan

I have audited the financial statements of the business-type activities of the Village of Buckley, Michigan, (Village) as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements and have issued my report thereon dated August 12, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing my audit, I considered the Village's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*  
Village of Buckley  
Page Two

***Compliance and Other Matters - Continued***

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Village Council, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Sam E. Sandlett, CPA*

August 12, 2007

## COMMENTS AND RECOMMENDATIONS



Members of the Village Council  
Village of Buckley  
Buckley, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The following comments are based on observations made during the course of my examination for the year ended February 28, 2007, and requirements of the Farmers Home Administration USDA's audit guide.

#### Internal Control

An evaluation was made of the system of internal control. Some of the internal controls include the use of software for the collection of water receipts, prenumbered receipts, the bank reconciliation is done by the treasurer and checked by the clerk, the general ledger is prepared by the clerk, check disbursements are signed and approved by the treasurer and clerk, and the council approves all disbursements.

#### Chart of Accounts

The Village uses the State of Michigan uniform chart of accounts.

#### Control over Assets

The Village has adequate physical control over its assets. The assets are being recorded as purchased in their funds, thus maintaining accounting control of the assets.

#### Loan Agreements

The Village appears to be in compliance with loan agreements, including the maintenance of cash reserves.

#### Accounting Records

The financial reports included in the audit are in agreement with the Village's accounting records.

Cash and Cash Equivalents

At year end, the carrying amount of the Village's demand deposits were \$148,151, savings of \$9,594, and certificate of deposits of \$18,048, and the bank balance was \$177,746. All of the bank balance was covered by Federal Deposit Insurance Corporation (FDIC).

Bond and Insurance Policies

Bond and insurance policies were examined. The Village reviews its insurance coverage on an annual basis.

Bond Requirements

As of February 28, 2007, the Village is in compliance with the requirements set forth for the water system's bonds.

Income Tax Status

The Village is exempt from federal income tax.

Aging of Accounts Receivable

Water accounts are billed monthly. An aging of the accounts receivable is as follows:

<u>Fund</u>	<u>Total</u>	<u>Over 90 Days</u>
Water	\$ 3,599	\$ 3,599

Cash Flows

The water fund cash flow during the current year was a decrease of \$16,557, which compares to an increase of \$25,851 in the prior year.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, the Michigan Department of Treasury and USDA and should not be used for any other purpose.

*Sandy Exander, M.P.C.*

August 12, 2007